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FOREIGN POLICY BULLETIN

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ECONOMIC DEVELOPMENT ESSENTIAL TO HEMISPHERE SECURITY

AS a result of the decisions made on August 22 by the steering committee of the Inter-American Defense Conference at Petropolis, Brazil, hemispheric economic problems will not be on the agenda of the parley. Delegates of the twenty-one American Republics will limit their deliberations to drafting the treaty of mutual defense contemplated in the 1945 Act of Chapultepec. Addressing the conference for the first time on August 20, Secretary of State Marshall reiterated the position of the United States when he observed that "our concern is with mutual defense and security." In response to this plea, the committee rejected by a vote of fifteen to five the efforts of Dr. Guillermo Belt, chief Cuban delegate, to bring up the issue of economic aggression. It also agreed, this time unanimously, that post-war Latin American economic difficulties should be considered at a special conference in the second half of 1948.

By excluding economic issues, the conference has simplified its task, which in any event will be highly complicated. Yet the fact remains that, in the past, threats and acts of aggression have often been economic in character. Thus, German penetration of the economy of southeastern Europe before 1939 was in effect "a bloodless war."

PROBLEM OF ECONOMIC AGGRESSION. In proposing that the hemispheric defense treaty include a ban on threats and attacks of an economic character, Dr. Belt, who is also Cuban Ambassador to Washington, stated that he was motivated by a clause contained in Section 202E of the United States Sugar Act of 1948. This clause provides that supplemental import quotas on sugar may be withdrawn from nations which have denied "fair and equitable treatment" to American citizens or business. Since extra quotas were given only to

Cuba, he protested that economic pressure was being unfairly applied to force the collection of private debts. However, before approving this legislation on August 8, President Truman sought the opinion of Secretary Marshall, who advised that "it is quite incorrect to interpret this section as an unfriendly act," and that there was no intention "to substitute for or replace the orderly processes of settling differences, including international arbitration."

In the steering committee session on August 22, the Cuban delegate stated his government had accepted Secretary Marshall's interpretation and was prepared to drop the matter. But, supported by Bolivia, Guatemala, Ecuador and Venezuela, Dr. Belt voted in favor of the proposal to discuss the issue of economic aggression. A precedent was involved, he said, for one country might without warning alter a quota with serious damage to the other party. Admittedly, such a risk exists where quantitative trade controls are used, and it is for this reason that the United States has sought a ban on the device in the proposed International Trade Organization charter. Given the uneven economic development of nations, inequality in their bargaining power has been ac-

WHO MAKES OUR FOREIGN POLICY?

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REORGANIZATION OF THE STATE DEPARTMENT

Foreign Policy Reports, August 15, 1947

Today, as the Marshall Plan begins to take shape in Europe and the United States, it is more urgent than ever for American citizens to know how this country's foreign policy is made. Study groups will find these two publications prepared by Blair Bolles, director of the Foreign Policy Association's Washington Bureau, indispensable as background material.

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centuated; but in the absence of a world authority to control completely the trade of all countries, the proposed ITO is the best system thus far devised to protect weaker national units.

EUROPE'S REVIVAL AND THE AMERICAS. Such progress as the twenty Latin American Republics can make in developing a more balanced and integrated economy will unquestionably strengthen their bargaining power, and at the same time reinforce the system of regional security which is being worked out at the conference. For the present, however, not much assistance can be expected from the United States. As Secretary Marshall reminded the delegates on August 20, this country has already "assumed unusually heavy burdens in a determined effort to meet the minimum economic requirements of the areas devastated by war and now threatened with starvation and economic chaos." Problems of the Western Hemisphere are not thereby being ignored, for "the economic rehabilitation of Europe is vital to the economy of this hemisphere."

The importance to Latin America of recovery in Europe was graphically illustrated on August 20, when suspension of convertibility of the pound sterling into dollars was announced by Washington and London. Since July 15, Argentina, Brazil and Uruguay have been permitted to obtain dollars in exchange for the sterling arising from their export surplus with Britain; this they can no longer do. Argentina, whose import surplus from the United States was at the annual rate of \$436 million in the first five months of 1947, faces a heavy drain on its

remaining gold and dollar reserves. The Perón government, therefore, ceased issuing import licenses on August 21, pending a study of the situation.

Except in the case of Cuba and Venezuela, reported gold and exchange reserves of the American Republics have been steadily declining in recent months. Whereas in 1946 the total import surplus in trade with the United States was \$200 million, it is now at an annual rate of \$1.7 billion—a figure which does not include the dollars needed for freight charges, debt servicing, etc. Export surpluses to other areas are large; but they do not provide the convertible exchange that the Republics want.

In short, Latin American trade with both the United States and the rest of the world has become distorted as a result of the war. Europe is buying heavily from this hemisphere without being able to export more than a fraction of the pre-war volume. The American Republics, in turn, are buying increasingly large amounts of goods from the United States. The over-all situation is one of transition, and in that respect is a normal sequel to the war. But without a prompt recovery of the productive capacity of Europe, the process of readjustment will become much more difficult for this hemisphere. An export surplus to the devastated areas, which does not provide gold or convertible currencies, means that Latin America's excess of imports from the United States must soon decline, lest remaining dollar reserves be reduced to the danger point. For this reason many countries have already adopted strict import controls.

HAROLD H. HUTCHESON

COLONIAL POWERS COORDINATE POLICIES IN WEST AFRICA

ACCRA, GOLD COAST—Opening the annual debate on the colonial budget, Britain's Secretary of State for the Colonies, A. Creech Jones, presented to Parliament on July 29 a comprehensive report on British colonial progress since the outbreak of war in 1939. Here in West Africa, one of the most promising developments announced by Mr. Jones is the inauguration, during the past two years, of regional cooperation between Britain, France and Belgium. This movement is a major step forward both in colonial development and international cooperation.

STRATEGIC ROLE OF WEST AFRICA. In West Africa, Britain holds four enclaves (the Gambia, Sierra Leone, the Gold Coast, and Nigeria) in a great land mass under French sovereignty. The economic and strategic importance of this area has recently been somewhat forgotten because of publicity given to two developments in East Africa: the rumored project to transfer British bases from the Mediterranean to East Africa, and the \$100 million socialized groundnuts (peanuts) plan for that region. The economic and strategic future of West Africa, however, is a matter of grave concern to the

interested powers. A mission sent out by the British government left the Gambia for London on July 19 to recommend groundnut and sunflower oil seed development projects in Nigeria, the Gold Coast and the Gambia. Great air bases in Senegal, the Gambia, Sierra Leone, Liberia, the Gold Coast and Nigeria have reduced their activities since the end of the war but are ready for rapid expansion. The United States is developing at Monrovia, the Liberian capital, a port which will have the largest dock facilities between Gibraltar and Capetown. Freetown, capital of Sierra Leone, has a natural harbor which at one time during the war held more than 250 ships. Officials in the Gambia hope that the future development of the seaplane will make the Gambia river a big air base.

War time construction of these air bases and harbor improvements brought to West Africa an influx of men and money which set off an inflationary spiral that has more than doubled the price level. This economic trend has greatly accelerated the pace of social and political change, a fact that is fully appreciated by the most alert British and French officials.

To them it seems imperative to tackle jointly the economic and social problems common to the whole of West Africa.

INTERNATIONAL COLONIAL PLANNING. Planning toward this end has proceeded steadily for two years. Officials in the British Colonial Office have direct telephone connections now with French colonial administrators in Paris, and London has close colonial contacts with Brussels through the Belgian Embassy in the British capital. Moreover, four international conferences on technical matters have already met. An Anglo-French veterinary conference at Dakar in May 1946 was followed in November by a public health conference in Accra, which was attended also by delegates from Belgium and by observers from Portugal and Liberia. In May 1947 two conferences of importance met simultaneously, an Anglo-French communications conference at Dakar, and a meeting in Paris to discuss a general plan for future meetings. The Paris talks of May 20-23 are especially significant because they ended in an agreement between Britain, France and Belgium for eight technical conferences between 1947 and 1950 on agriculture and soil conservation, rural economy, forestry, nutrition, labor, education, health, and problems of rinderpest, trypanosomiasis and the tsetse fly. Invitations to attend these general conferences in Africa will be sent to other powers, and preparatory meetings of experts are planned in some instances for London, Paris or Brussels. Africans as well as Europeans will be invited to participate.

DAKAR CONFERENCE. The Dakar communications conference offers a good example of the possibilities in international colonial cooperation. Since isolated areas are usually undeveloped areas, the improvement of communications is essential to progress. At Dakar a number of subcommittees were constituted to tackle this problem. As a result, in the Gambia, an inland road is being constructed across the colony to provide a link between the two French territories of Senegal and Guinea. In Sierra Leone, a survey is being made on the possibility of extending the Sierra Leone railway into French Guinea to provide an outlet to the sea for French produce. An international coastal highway is planned for the Gold Coast, the Ivory Coast, Dahomey, Nigeria and the Cameroons. A large part of this road is already in existence but is in need of much improvement, and is lacking in essential links across international frontiers. The delegates at Dakar also made recom-

mendations for the improvement of telephone and postal communications, and for a better system of transport regulations on the Niger River, which flows through both British and French territory.

An atmosphere of complete harmony has reportedly characterized the four conferences thus far held. It was generally agreed that the UN specialized agencies should be invited to send representatives to future conferences. But the long-range success of technical cooperation in West Africa will depend on the maintenance of friendly political relations. In the past, France and Britain have come into frequent conflict on colonial issues. Their future relations are complicated by the perplexing attitude of the French Communists on colonial problems, and by the existence of issues like the Ewe question in the trust territories of British and French Togoland—an issue which will be brought before the UN Trusteeship Council in November.

VERNON MCKAY

(Mr. McKay, who is studying in West Africa under a Carnegie Corporation grant, will discuss the Ewe question in a subsequent article.)

F.P.A. BOOKSHELF

The Problem of Reducing Vulnerability to Atomic Bombs, by Ansley J. Coale. Princeton, Princeton University Press, 1947. \$2.00

An acute preliminary analysis, social and technical, prepared under the direction of the Committee on Social and Economic Aspects of Atomic Energy of the Social Science Research Council. It assumes that an atomic attack might come and examines possibilities of limiting its effect. It points out the need for more knowledge to support sound decisions.

Colony to Nation, by Arthur R. M. Lower. New York, Longmans, Green, 1947. \$5.50

Written by the head of the History and Political Science Department of United College, Winnipeg, one of Canada's outstanding historians, this full length history of Canada is an interesting narrative and useful text.

Good-Bye India, by Sir Henry Sharp. New York, Oxford University Press, 1946. \$4.75

A nostalgic record filled with anecdotes, that also includes comments on diverse Indian problems.

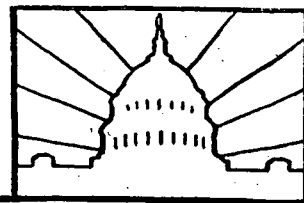
President and Congress, by Wilfred E. Binkley. New York, Knopf, 1947. \$4.00

First published under the somewhat misleading title *The Powers of the President*, this book is completely rewritten and expanded. It attacks the perennial problem in American government—the contest for leadership between the President and Congress. Professor Binkley provides an antidote, backed by a full historical survey of the position of the Presidency in our Federal system, to those who would reform our government structure along the lines of the parliamentary system in which the Executive functions as the leadership corps of the legislature.

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Washington News Letter



BRITISH DOLLAR CRISIS HIGHLIGHTS ROLE OF U.S. LOAN AGENCY

The discussions of the British dollar problem in Washington from August 18 to 22 turned attention to the great powers of the Secretary of the Treasury in making foreign policy. As Chairman of the National Advisory Council on International Monetary and Financial Problems, he ranks with the Secretary of State in decisions affecting lending and spending abroad. Since the dollar is a major instrument of contemporary foreign policy, the Secretary-Chairman influences the relations of the United States with countries all over the globe. He will, for example, be the final judge of any proposal that Lt. Gen. Albert C. Wedemeyer might make for a loan to China when he returns from his visit to the Far East as the agent of President Truman, and will take part in the drafting of the final "Marshall Plan" for loans or grants to Europe. Wedemeyer on August 24 formally criticized the Chinese government for keeping corrupt and inefficient officials in responsible places, but his action only postpones, without cancelling, the recommendation of a credit for China.

THRIFT EXPLAINS SNYDER'S POLICY. The scope of these powers gives particular importance to the opinions on foreign affairs of the incumbent Secretary, John W. Snyder. The cheerless severity of his comments on Britain's desire for relief from provisions of the 1946 loan agreement aroused the unjustified apprehension that he might be an isolationist. His attitude, however, stems not from isolationism, but rather from his thrifty and conservative conception of finance, from his belief that only free enterprise fosters prosperity, and from strict subordination of personal wishes to his construction of the acts of Congress.

These predispositions account for Mr. Snyder's sternness in contemplating the decline of the \$3.75 billion British credit to \$400 million in thirteen months under the management of Britain's Socialist government, and for his reluctance to offer Britain relief beyond the limits set by Congress for the executive branch in the administration of the credit. Mr. Snyder went as far as he thought the act of Congress permitted when, on August 20, he suspended the loan requirement that Britain make sterling freely convertible to dollars. A convinced isolationist would have stopped short of that action.

Snyder, moreover, adheres to the foreign loan policy which the National Advisory Council adopted on February 21, 1946, four months before he be-

came Secretary of the Treasury. That policy emphasizes the place of loans in improving commercial relations among nations. "The foreign loan program . . . is directed toward the creation of an international economic environment permitting a large volume of trade among all nations," the policy statement declares. In stressing commerce, the Council thrusts aside the State Department view that loans can serve primarily as instruments for the attainment of American political goals in international relations.

President Truman reported to Congress on June 26 that the Council's criteria include "the purpose of the loan, the need for the loan, the borrower's ability to repay, the allocation of available sources of loan funds, and the possible effects of the use of the loan proceeds on the United States domestic economy." In practice, however, it is extremely difficult, if not impossible, to draw a clear distinction in international lending between political and economic considerations, which have become inextricably intertwined. In the case of the \$100 million American credit extended to Italy last January, the N.A.C. listed "stable conditions in Italy" among the "pre-requisites to the extension of credits under the agreement," and did not permit the Italians to draw on the credit until August 19, when \$23 million became available. While this requirement was economic in character, it also carried definite political implications.

COUNCIL POWERS. The National Advisory Council can revise the day to day foreign loan policy of the United States whenever the chairman and the other members acquiesce. The five members are Mr. Snyder, Secretary of State George C. Marshall, Secretary of Commerce W. Averell Harriman, Chairman Marriner S. Eccles of the Board of Governors of the Federal Reserve System, and Chairman William McChesney Martin, Jr., of the Export-Import Bank. The Secretary of the Council is Harold Glasser, director of Monetary Research in the Treasury Department. Created by the Bretton Woods Act of July 31, 1945, and organized on August 21, 1945, the N.A.C. approved foreign credits totaling \$8,950,400,000 by December 31, 1946. The Council has instructed all government agencies which receive requests for foreign loans to conduct their negotiations "in accordance with the policies of the Council."

BLAIR BOLLES